



General Assembly

Sixty-seventh session

Official Records

Distr. General
3 January 2013

Original: English

Second Committee

Summary record of the 11th meeting

Held at Headquarters, New York, on Thursday, 18 October 2012, at 10 a.m.

Chair: Mr. Talbot (Guyana)
Later: Mr. Mero (Vice-Chair) (United Republic of Tanzania)

Contents

Agenda item 22: Globalization and interdependence

- (a) Globalization and interdependence
- (b) International migration and development

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

12-55514 (E)



Please recycle



The meeting was called to order at 10 a.m.

Agenda item 22: Globalization and interdependence

(a) Globalization and interdependence (A/67/274)

(b) International migration and development (A/67/73 and A/67/254)

1. **Ms. Akhtar** (Assistant Secretary-General for Economic Development), introducing the report of the Secretary-General on international challenges for sustainable development: global policy coherence and the role of the United Nations (A/67/274), said that while some developing countries had benefited from gradual exposure to world markets, others were at a disadvantage because they had not had the opportunity to conduct industrial policies, which were critical to successful economic development. The report offered two recommendations: differentiated treatment of developing countries and support for their export industries; and, to address environmental challenges, alignment of multilateral trading rules with multilateral environmental agreements. Technology transfer should be facilitated, particularly to allow developing countries to incorporate green technology into their development strategies. Capital account regulation and macro-prudential risk management in developing countries required strengthening. Deeper international financial reform was also needed. The United Nations, and the Economic and Social Council in particular, should be given scope to coordinate global economic governance, which was in need of reform.

2. Introducing the report of the Secretary-General on international migration and development (A/67/254), she said that migration had a huge impact on development. Out of 214 million international migrants, some 150 million originated in the South, and South to North migration had doubled in the last twenty years. Remittances had increased to \$370 billion in 2011, but the costs of transferring them remained high because of a lack of competition and transparency. The recent adoption of the International Labour Organization (ILO) Convention concerning recent work for Domestic Workers provided hope that challenges affecting migrant workers could be addressed, but their protection was still a concern. Human trafficking and migrant smuggling remained a challenge, and the United Nations Office on Drugs and Crime was leading efforts to combat those crimes. Migration data and analysis must be improved for productive policymaking and public discourse. Various

international and inter-agency partnerships were working to support Member States in addressing migration challenges and opportunities.

3. The Secretary-General's report proposed ideas on which countries could base their deliberations in preparation for the High-level Dialogue on International Migration and Development to be held at the General Assembly's sixty-eighth session, in order to develop an action-oriented plan that benefited home and host countries and protected migrants and their families. The Dialogue should pave the way for mainstreaming migration into the post-2015 United Nations development agenda.

4. **Mr. Djacta** (Algeria), speaking on behalf of the Group of 77 and China, said that globalization and interdependence, were of particular relevance to developing countries. Current global crises, particularly the economic crisis, threatened to further widen the gap between developed and developing countries. The Declaration and Programme of Action on the Establishment of a New International Economic Order, adopted by the General Assembly in 1974, were more important than ever; States needed to continue working together towards an international economic order based on equity, sovereign equality, interdependence, common interest, and solidarity.

5. While globalization could accelerate growth and development, it also presented challenges, especially to developing countries, which needed international cooperation to assist in responding to them.

6. The United Nations was well positioned to strengthen international cooperation for promoting development in the context of globalization — in particular, integrating developing countries into the globalizing economy; implementing internationally agreed development goals, including the Millennium Development Goals (MDGs); and addressing global economic governance with a view to sustainable and socially balanced economic development.

7. The governance structure of the Bretton Woods institutions should be dramatically reformed to reflect their development mandate, and should involve all shareholders, in a transparent and inclusive process.

8. While international trade was an engine for development and sustained economic growth, only a universal, rules-based, open, non-discriminatory and equitable multilateral trading system, alongside

meaningful trade liberalization would enable it to be achieved in a way that would benefit countries at all stages of development.

9. The international community must address the challenges caused by international migration in a spirit of partnership, so that migration would contribute to the development of origin, transit and destination countries, while respecting human rights.

10. Official development assistance (ODA) and other international resources were important in supporting poverty eradication in developing countries, as a key factor in migration flows was the search for better welfare and job opportunities. His delegation looked forward to the 2013 High-level Dialogue on International Migration and Development as a crucial step for the international community in guiding global migration policy.

11. **Ms. Rambally** (Saint Lucia), speaking on behalf of the Caribbean Community (CARICOM), said that, owing to their small size, open economies, geographical location and climate, the CARICOM States felt the impact of the global food, energy, and financial and economic crises disproportionately, although their contribution to those crises had been negligible. The crises had made it clear that regulation and oversight were necessary, and the United Nations had a critical role to play in shaping a responsible twenty-first century globalization.

12. The United Nations must be a force for fairness in the context of the inequity of globalization. It had an obligation to lead the reform of the Bretton Woods institutions, limit the unregulated flow of small arms and light weapons, and craft a legally binding solution to climate change.

13. Financial instability in certain developed economies, and internationally, as well as the volatility of international prices of commodities, remittances, foreign direct investment and ODA, were all severely affecting CARICOM. Reform of multilateral institutions was too slow; urgent, meaningful reform of the International Monetary Fund (IMF) and the World Bank were necessary.

14. The report *Latin America and the Caribbean in the World Economy 2011-2012* noted that the international financial situation would negatively impact on trade in the region, with Caribbean countries to witness a fall of 0.7 per cent in exports and 2.1 per

cent in imports. CARICOM was limited as an actor in the globalization process; it was a *de minimis* producer of agricultural products and financial services — and it was therefore inequitable to ask it to bear the brunt of ill-conceived policies, particularly in an atmosphere of crisis to which it had not contributed.

15. In that regard, CARICOM was concerned about the effects of trade-distorting subsidies, such as those provided to multinational rum companies. CARICOM States, for some of whom rum production was one of their last competitive industries, were blatantly disadvantaged by the subsidies. The relevant Governments should work with CARICOM to restore the competitive balance to the rum market.

16. Migration was part of the collective psyche of CARICOM States, and that CARICOM economies were greatly influenced by migrant flows. Many citizens relied on remittances from abroad, and the majority of college-educated CARICOM citizens lived and worked in developed countries, contributing to a regional “brain drain”. In this period of economic crisis, CARICOM called on States not to unduly politicize or restrict migration.

17. In 1989 CARICOM had adopted the Grand Anse Declaration, committing itself to the free movement of its nationals within the region by eliminating the need for work permits. The free movement of people, as well as of capital, was key to globalization. The United Nations must play a central role in ensuring cooperation between States for the effective management of migration. Migrants must be protected and their rights safeguarded, and a rights-based approach should be taken to international migration.

18. **Mr. Khan** (Indonesia), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), said that the role of the United Nations in global governance had to be strengthened in the light of the changing context of sustainable development and fragmented national interests. The economic crisis and climate change greatly affected developing countries' capacity to achieve their development goals. While changing the existing international frameworks would be very challenging, coherent reforms in the areas of international trade, technology transfer and international finance were of crucial importance to developing and least developed countries.

19. The Doha Development Agenda should be redrawn to take account of different needs and

capacities. Unequal relationships, leading to unhealthy competition among developing countries, should be addressed through international and regional cooperation. The transfer of technology between developed and developing countries needed to be better integrated into the sustainable development agenda of the United Nations. International financial policies had led to macroeconomic instability in developing countries, and the recent crisis had illustrated the need for more public oversight of powerful private organizations.

20. Regional financial cooperation had been more effective than international cooperation. ASEAN had established the ASEAN Free Trade Area and the Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin), with the goal of economic integration through the ASEAN Economic Community by 2015.

21. Human capital was key to economic and social progress, and the challenges caused by international migration should be addressed in a way that would contribute to the development of origin and destination countries. The ASEAN Labour Ministers' Work Programme provided a framework to prepare the region's 285 million workers for the challenges of globalization and liberalization. The ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers, and the follow-up implementation Committee, were groundbreaking moves to address the issue of migrant workers.

22. The United Nations should continue to enhance coordination of international migration programmes. ASEAN supported the ongoing exchange of ideas through the Global Forum on Migration and Development, at the 2013 High-level Dialogue to be hosted by Mauritius in 2013. It also looked forward to the discussion of legal and orderly migration, leveraging diaspora contributions for development, and mainstreaming migration into the development agenda.

23. *M. Mero (United Republic of Tanzania), Vice-Chair, took the Chair.*

24. **Mr. Zampetti** (Observer for the European Union), speaking also on behalf of the acceding country Croatia; the candidate countries Iceland, Montenegro, Serbia and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania and Bosnia and Herzegovina; and, in addition, Armenia, Georgia, the Republic of Moldova

and Ukraine, said that the links between migration and development were clearly recognized both in the European Union's Global Approach to Migration and Mobility, which established the framework for its external migration policy, and the Agenda for Change, its new development policy framework. Since 2005, the European Union and its member States had established a comprehensive migration policy which took into account partner countries' concerns, respected the principle of policy coherence for development, and addressed relevant issues from a migrant's perspective. The European Union was ready to share its experience at the 2013 High-level Dialogue, which should target two general objectives. First, the current migration agenda should be broadened — notably by recognizing changing migration patterns and better addressing South-South migration and the role migration played in economic and social development. Secondly, migration should be better integrated with development strategies; for example, potential synergies between migration and areas such as employment policy and trade should be addressed. The post-2015 development framework should recognize the important links between migration and development.

25. In order to achieve the above objectives, the European Union had identified four priorities to be considered at the round tables proposed by the Secretary-General in his report. First, round table II should review progress made in fostering safe, orderly migration, as well as measures to combat irregular migration and human trafficking. To maximize the benefits of migration and development, the discussions could also reflect on migrants' rights and developed countries' migratory needs. Secondly, round-table topics III and IV could be combined in one session on integrating migration into development planning and promoting international cooperation in migration. Particular attention should be paid to policy coherence for development and the development-refugee nexus. Thirdly, a round table should assess the effects of migration, including forced migration, on the economic and social development of origin and destination countries, identify priorities for the post-2015 development framework, exploring to that end links between migration and the current MDGs. The issue of forced migrations due to political and armed conflicts or environmental risks would be tackled in that round table. Lastly, there should be a round table on promoting well-managed regional labour mobility.

Given that most international migration occurred between countries in the same region, stronger governance frameworks for regional mobility could improve migration conditions and promote migration-related development, including in South-South migration.

26. **Mr. Senchenko** (Russian Federation) said that in the current stage of globalization, international migration was having a direct impact on the socioeconomic development of countries, on their ability to attract foreign investment, and on their demographic profiles. In response, his Government had implemented substantive measures designed to improve its laws governing migration and to promote favourable conditions for various categories of migrant workers. More than 924,000 work permits had been issued by the Federal Migration Service in 2012, an 11 per cent increase over the previous year, while new migration policies now strove to integrate migrants, protect their socioeconomic well-being, raise their qualifications and familiarize them with their legal rights. To that end, consultative services had been organized in a number of local jurisdictions to address their concerns with respect to Russian migration legislation.

27. His country had historically been multinational and multi-confessional, and relied actively on the potential of national diasporas to facilitate the integration of new migrants into society. Its educational system had transformed it into an international contributor of highly qualified professionals in such fields as science, engineering and computer programming, and it was in turn making a concerted effort to attract foreign specialists, to ensure that employers enjoyed a favourable business climate and to promote investment and innovation.

28. In June 2012, the Government had approved a new conceptual framework to guide its migration policies, aimed at further legislative initiatives with respect to migration, regulating internal migration, increasing the transparency of the market for foreign labour, legalizing migration flows and toughening sanctions against unethical recruitment practices.

29. His Government attached great importance to intergovernmental cooperation with respect to migration issues, and was actively negotiating with other Governments to simplify visa regimes. A key priority was to liberalize migration procedures for

citizens of Single Customs Union member countries and to harmonize migration laws within the framework of the Eurasian Economic Community. Lastly, his Government was continuing its close cooperation with its partners to systematize the accounting of migrants and in countering illegal migration.

30. **Mr. Diallo** (Senegal) said that international migration was currently an important issue for the international community, and that high rates of migration had caused most States concerned to review their relevant policies.

31. Migratory flows had substantial macroeconomic benefits for origin countries; remittances, sometimes equal to or greater than ODA, contributed to business start-ups, social infrastructure and productive investment. In Senegal, for example, remittances, estimated at 660 billion CFA francs in 2009, or 9 per cent of GDP, played a crucial role in development and contributed significantly to reducing poverty. Therefore, costs associated with transferring money should be reduced. His delegation welcomed the decision of the African Union, adopted at the nineteenth Assembly of Heads of State and Government, to establish an African Institute for Remittances.

32. Irregular migration remained a real challenge for African States. Real political will was necessary to improve the situation, by implementing measures focusing on the rights of migrants and their families, particularly women. Mechanisms needed to be established to eradicate smuggling of all kinds, notably of drugs and illegal migrants, and trafficking in persons. In addition to the 2005 Law to Combat Trafficking in Persons and Related Practices and to Protect Victims, and the action plan accompanying it, his Government had initiated projects with partners such as UNDP and Italy, allowing Senegalese expatriates to share their knowledge with the country and to invest in it with their definitive return in mind.

33. Such initiatives were supported by a concerted policy to manage migratory flows, reflected by the signing of bilateral and multilateral agreements and by the ratification of relevant conventions, notably the United Nations International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, to prevent illegal migration flows from Senegal. National measures had been supported by those taken at a subregional level

and those developed with the Rabat Process partners. The strategy adopted in Dakar in 2011 at the Third Euro-African Ministerial Conference on Migration and Development was an indicator of the success achieved so far.

34. **Mr. Wennubst** (Switzerland) said that international migration presented opportunities as well as challenges. Efficient collaboration mechanisms and equal partnerships should be developed at a global level, to harness the potential of international migration for supporting social, cultural and economic development. Switzerland was committed to a comprehensive approach to migration which would accord equal consideration to the interests of countries of origin or transit and those of migrants themselves.

35. The round-table discussions at the 2013 High-level Dialogue should cover reinforcement of partnerships and cooperation in the field of international migration, as well as the integration of migration into discussions on the MDGs. Lessons learned since the 2006 High-level Dialogue should be taken into account, but should be accompanied by deliberations on the future, in particular on increasing global coherence and improving partnerships so that they benefited migrants as much as affected States.

36. Political commitment must be strengthened, and the issues of migration and development should be dealt with at regular intervals by the United Nations, in parallel with complementary processes such as the Global Forum on Migration and Development, which was an essential platform for dialogue between States. Switzerland was confident that the High-level Dialogue would strengthen international cooperation and open up new ways of leveraging the benefits of migration for development.

37. **Ms. Arias** (El Salvador) said that while globalization had generated development and technological progress, it had also brought about deep imbalances, environmental crises, and, in some countries, a lack of development. The new international balance of power, global demographic tendencies, migration, urbanization, and climate change all posed difficulties that required different solutions tailored to different countries. Developing countries had not been able to move beyond their dependence on commodity exports, or to diminish their vulnerability to the instability of world markets, and it was fundamental that they should achieve a shift to

more diversified production. In that regard, progress needed to be made in the Doha Round negotiations, based on non-discrimination in the commercial system, the establishment of shared but differentiated standards, and the effective transfer of technology for the benefit of developing countries. To achieve stronger international economic governance, those developing countries needed to be better represented in world governing institutions. Those institutions also needed to prioritize reducing risks to developing countries' financial systems.

38. Approximately 3 million El Salvadorians lived abroad, mainly in the world's richest countries. Eighteen per cent of families had a member living abroad, and in 2011 the value of remittances was equivalent to 28.6 per cent of total VAT. International migration was thus an important issue for El Salvador, and her delegation hoped that at the 2013 High-level Dialogue concrete proposals would be made which would link migration and development, and that States would work actively to achieve the orderly, fluid and well-documented management of migration which would benefit the countries both of origin and of destination.

39. The issue of migration and development necessarily encompassed migrants' rights, and her delegation called for further ratifications of the Protocol against the Smuggling of Migrants by Land, Sea and Air and of the Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

40. Public migration policies in El Salvador focused on discouraging irregular emigration by reducing incentives for young people to leave, promoting human development and strengthening attachment between communities of origin and a sense of dignity in the lives of their inhabitants. Efforts were also under way to promote the integration of migrants and their families, using a rights-based approach to the development of human potential.

41. **Mr. Momen** (Bangladesh) said that migration had not fulfilled its potential in terms of supporting development, and the countries suffering most from the problems caused by globalization — the financial and economic crisis, volatile energy prices, the food crisis and climate change — were those that had contributed least to creating those problems. New global governance was needed, based on equity, sovereign

equality, interdependence, common interest, cooperation and solidarity among all States. Developing countries needed a greater voice in international economic decision-making.

42. While globalization could be a force for growth, it also caused marginalization and exogenous shocks to the economies of developing countries, particularly least developed countries (LDCs). The latter should benefit from predictable international help and a favourable global trade regime, as well as the right to development through strategies based on their particular social, political, economic and environmental needs. The United Nations should have a stronger role, and should lead the way in reforming international financial governance, which must be transparent and inclusive, and give developing countries a voice.

43. Migration was important to Bangladesh's development; remittances from citizens abroad currently exceeded 12 per cent of its GDP and amounted to nearly five times ODA and 10 times foreign direct investment. Bangladesh's labour market was disadvantaged by globalization, however. While liberalization had opened markets for goods and capital, foreign labour still faced discrimination. The international community should thus adopt measures to support the movement of service providers, as provided for in mode IV of the General Agreement on Trade in Services. In addition, many migrants were exploited abroad. Fair treatment and legal recognition were needed, and a minimum wage for migrant workers should be established. Host countries should also minimize the costs of sending remittances.

44. **Mr. Favero** (Brazil) said that International institutional frameworks were biased against developing countries; thus a new international economic order was called for, particularly given the current economic disarray. Increasing disquiet about the balance of costs and benefits of globalization did not mean countries should revert to protectionism and xenophobia, however — the shortcomings and excesses of globalization could be addressed while preserving its vitality. Globalization needed to be carefully managed, taking into particular account developing countries' needs.

45. The tremendous expansion of global trade in recent decades had been spurred by an across-the-board reduction of tariff barriers for industrial

products. Developing countries could not resort to tools historically associated with industrialization; trade liberalization curbed or prohibited policies targeted at supporting local firms.

46. The World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) had raised the costs of acquisition of technology, negatively impacting developing economies. Intellectual property rights could not work as an incentive for technological innovation if countries did not have the requisite research and technological infrastructure already in place. The limited flexibilities available to developing countries under TRIPS had proven insufficient with respect to development and public health.

47. It was difficult to predict the full scope and duration of the current economic crisis, but it was certain that durable solutions could not be achieved without a greater voice for developing countries in the global financial bodies. His delegation supported a strengthened role for the United Nations in ensuring political cohesion in economic and financial matters, in coordination with IMF and the World Bank.

48. Brazil was a destination for immigrants, and there were also 3 million Brazilians living abroad. Historically, migration had played a key role in bringing energy and creativity to Brazil, supporting its dynamic economy. His delegation understood that overcoming the challenges of migration was crucial to promoting development, and looked forward to the 2013 High-level Dialogue.

49. **Ms. Nazaire** (Haiti) said that international migration and development was a vital issue for Haiti, particularly with regard to migrants' human rights, and the formulation of a national poverty-reduction and development strategy.

50. The degree of stigmatization associated with immigrants had been shown to correlate with economic conditions; the present financial crisis could therefore lead to a worsening of migrant workers' living conditions, or to their marginalization. Origin and destination countries should, therefore, be especially aware of the rules and conventions of international law regarding the free exchange of labour, and recognize that the overwhelming majority of migrants worked hard to improve the lives of their families and compatriots, as well as contributing to wealth creation in their new countries.

51. Two issues which negatively affected various developing countries deserved mention. The first was human trafficking, including child trafficking, a problem which the United Nations Office on Drugs and Crime was currently actively addressing. The second was forced repatriation of migrants who had violated host country laws; reinsertion systems were overwhelmed, and those people could cause social disruption and economic instability in their countries of origin. Multilateral and bilateral agreements were needed to resolve that issue.

52. Haiti was ambivalent about migration's socioeconomic impact: while remittances were equivalent to 25 per cent of the country's GDP, that money was largely used for basic needs, rather than invested, and the loss of human capital was felt considerably in the long term. Her Government had been investigating means of channelling contributions from the diaspora into community development and productive activities. It planned to institute a return policy, based on an improved business climate, stronger security, and equal rights for repatriated citizens, who had recently acquired the legal right to dual nationality.

53. The joint publication by the International Organization for Migration (IOM) and the Migration Institute Policy on the potential role of migrants as agents of development in their countries of origin had proven a useful analytical tool for the formulation of effective policies. Likewise, the work of United Nations agencies to update regional and international statistics was extremely useful in promoting synergies between international migration and development.

54. **Mr. O'Brien** (India) said that, in an era of unprecedented mobility, international migration must be managed as a humane, orderly and mutually beneficial process. He hoped that the High-level Dialogue would result in a strong political commitment to international migration as a development paradigm. While the brain drain was a concern, remittances had helped to alleviate poverty in the developing world. Remittances could not, however, replace ODA or financing for development. The volume of South-South migration was now almost as significant as that of South-North migration, and the movement of persons would continue owing to such structural factors as demography and labour supply gaps.

55. Although migration was the oldest poverty alleviation tool, the developed world was reluctant to recognize that it had benefited from migration from the South. Migration benefited developing countries by improving their economic competitiveness, meeting gaps in the skilled and unskilled labour supply and building intellectual and institutional capacities. Granting migrants a secure status in their destination country would help them to realize their full potential. The international community should work collaboratively in order to make migration a win-win situation.

56. The economic implications of short-term migration required attention. For example, migrants' contributions to social security funds were often lost after they left the country. The international community must work to develop frameworks to ensure the transfer of pensions and cumulation of social security benefits, particularly through discussions on inclusive social protection policies under the auspices of ILO. Curbing irregular migration and the trafficking of persons, particularly women and children, was also a priority for developing countries.

57. India was one of the leading countries of origin, destination and transit; its composite civilization and free and tolerant society had benefited from centuries of migration. His Government was committed to cooperating with destination countries in order to protect unskilled workers. It had also established a Ministry of Overseas Indian Affairs and an Indian Council of Overseas Employment, which provided policy direction on recruitment procedures and employment contracts. Emigration regulations had been overhauled, and workers' resource centres had been established in Delhi and in several destination countries including the United Arab Emirates.

58. **Mr. Strohal** (Austria) said that, as Chair of the Council of IOM, he was pleased that IOM had been able to organize seminars at Headquarters in New York in order to highlight the importance of protecting migrants in crisis situations. In the deliberations of IOM, the view had been articulated that discussions at the various international and regional forums should be streamlined in order to prepare more effectively for the High-level Dialogue on International Migration. The preparatory process should be inclusive in order to integrate the expertise of different stakeholders. Early discussion of modalities and themes of the round-table

discussions, on the basis of a resolution to be adopted accordingly, would help to focus the preparations.

59. **Mr. Tan** (Singapore) said that, as a small island State with no natural resources, Singapore relied on one of the most open economies in the world. The country's total external trade and GDP had grown hugely over the previous decade. That very openness had, however, exposed Singapore to a sharp recession in 2008 and 2009. Its strategy was therefore to promote skills and strengthen the social safety net. Despite such negative events, global markets must remain open in order to lift people out of poverty.

60. International migration benefited both destination countries, which gained from the skills and labour of migrants, and countries of origin, which received remittances and valuable knowledge. Singapore, one of the most coveted destinations for migrants, welcomed the economic and cultural contributions of foreign workers. Before their arrival, migrants received letters containing information to help them protect their interests. In mid-2012, a settling-in programme had been introduced, including a safety awareness course and information regarding migrant workers' responsibilities and conditions of employment.

61. **Ms. Robl** (United States of America) said that international migration had been central to the very identity of her country. Her Government welcomed the progress made in ensuring respect for the human rights and fundamental freedoms of all migrants. The report of the Secretary-General called for additional efforts to help migrants caught in situations of natural disasters, civil conflict or war, a theme that was critical in view of the recent humanitarian crises in Haiti, Libya and Syria. The international community's response to those crises had been extremely generous. Her own country proudly assisted IOM, the Office of the United Nations High Commissioner for Refugees and other agencies assisting stranded migrants.

62. As the report rightly noted, the Libyan crisis had highlighted the need for the international community to address the situation of such migrants more systematically. The High-level Dialogue on International Migration would provide an excellent opportunity for serious reflection on the issue. Her Government recognized the important contributions of such agencies as ILO and the World Health Organization to the key substantive issues to be discussed at the Dialogue.

63. The United States strongly supported the Global Forum on Migration and Development as a means to discuss migration issues, share best practices, identify potential areas for cooperation and encourage collaboration among origin, transit and destination countries. The Forum should continue as an informal, non-binding, voluntary and government-led process outside the United Nations system. According to the recent government-led assessment of the Forum, the vast majority of States agreed that it had been a success. While aware of other assessments, such as those conducted by the Global Migration Group and the High-level Committee on Programmes, and while not opposed to further discussions on coherence, partnerships and coordination, her delegation believed that the Dialogue must focus on critical substantive issues rather than questions of institutional mandates. She hoped that Member States would recognize the need for IOM, as the only international organization with an exclusive mandate for global migration, to have a prominent place in those discussions.

64. **Ms. Al-Hadid** (Jordan) said that globalization should be made more inclusive through a careful mixture of market forces, policy intervention and international support tailored to local conditions. The world's growing complexity and interdependence called for greater national, regional and international policy coherence. Although migration did not feature prominently in the original framework of the MDGs, it had been addressed at the United Nations Conference on Sustainable Development held in Rio de Janeiro from 20 to 22 June 2012. In the light of shifting population dynamics, it was becoming increasingly important to integrate migration into development policy and reach a shared understanding of the linkage between the two areas. Her delegation looked forward to addressing that issue at the High-level Dialogue.

65. **Mr. Mologe** (Nigeria) said that the international community should renew its commitment to the Declaration on the Establishment of a New Economic Order contained in General Assembly resolution 3201 (S-VI), paying special attention to improved market access, stabilization of commodity prices and the international monetary system, and stronger representation of developing countries in global governance institutions. Technology transfer to developing countries was an important component of globalization, and should take place on favourable

terms in accordance with the provisions of the Johannesburg Plan of Implementation.

66. The United Nations was in a unique position to assist developing countries in achieving their potential for growth through globalization and should continue to promote coherence, coordination and implementation of the internationally agreed development goals, including the MDGs.

67. His delegation welcomed the increasing focus on South-South migration and hoped that the forthcoming Global Forum on Migration and Development would tackle some of the challenges regarding documentation of migrants from the South and strengthen and protect the rights of South-South migrants. Migration flows to Nigeria had increased owing to desertification, drought and land degradation in the Sahel region, with negative repercussions for the country's economic stability. In order to reverse that trend, the international community must commit to comprehensive implementation of the outcome document of the United Nations Conference on Sustainable Development contained in the annex to General Assembly resolution 66/288. Nigeria welcomed the convening of a high-level meeting on the situation in the Sahel on the margins of the sixty-seventh session of the General Assembly; the development of a United Nations regional integrated strategy for the Sahel; and the appointment of a Special Envoy of the Secretary-General for the Sahel.

68. As a source, transit and destination country, Nigeria was faced with daunting security challenges. The Government had liberalized the banking industry in order to facilitate the receipt of remittances. A comprehensive national policy on migration was currently before Parliament. A document containing information for migrants was to be distributed in all Nigerian passport offices and in diplomatic and consular missions across the country. An agency to combat human trafficking had been established, and action was being taken to criminalize the smuggling of migrants by land, air and sea. Nigeria had concluded agreements with countries in the North with a view to ensuring that the fundamental rights of Nigerian migrants were respected; that irregular migration was not criminalized; and that property legally acquired by migrants was protected and returned.

69. **Mr. Alibabae** (Islamic Republic of Iran) said that although globalization could be a powerful force for development, the resulting growth had been slow

and lopsided, and multiple interrelated crises caused by the policies of the industrialized world now threatened to widen the gap further. Globalization must be transformed into a positive force empowering the developing world. Greater efforts should be made to formulate a global strategy to mainstream the development dimension into global processes and multilateral institutions. International trading, monetary and financial systems had to be made consistently universal, open, equitable, non-coercive, rule-based, predictable and non-discriminatory. The United Nations should continue to be the main platform for the discussion of those challenges. Its role in international cooperation for development should be strengthened, along with its capacity to deliver social and economic programmes.

70. The international community should foster intercultural dialogue in order to resist cultural homogenization and the hegemony of a specific culture. The new international economic order should be based on equity, sovereignty, interdependence, the common interest, cooperation and solidarity among all States.

71. **Mr. Dhanapala** (Sri Lanka) said that Sri Lanka was a country of origin and destination for migrants. Immigrant numbers were comparatively small, but were growing in view of the high quality of life and the introduction of resident visas for investors and people with special talents. Substantial numbers had left the country as refugees in the 1980s, particularly for Western countries; the war against terrorism, which had prompted those departures, had come to an end in 2009.

72. Economic migrants accounted for some 23 per cent of the total labour force and contributed significantly to the economy. The Sri Lankan Bureau of Foreign Employment registered all Sri Lankans leaving for employment abroad. Welfare officers had been assigned to missions in Middle Eastern countries in order to help migrant workers and liaise with national authorities.

73. To reduce the social impact on families of migrant workers, the Government had introduced a scholarship scheme in order to encourage children to continue their education, as well as self-employment programmes, counselling centres in schools, and day-care centres and hostels for children.

74. Sri Lanka was working closely with IOM, which had helped to establish a National Centre for Migration Statistics with additional funding from the European Union and the Government of Australia. The Office of the United Nations High Commissioner for Human Rights had been active in Sri Lanka since the 1980s, and worked to protect and assist refugees from abroad and Sri Lankan returnees.

75. **Mr. de Alba** (Mexico) said that efforts should be made to strengthen the institutional framework addressing the link between migration and development while also protecting the human rights of migrants. It was therefore a matter of concern that the Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families had been ratified by only 46 States, and that the United Nations did not yet have a forum in which to address the topic comprehensively. It was urgent for the Second and Third Committees to discuss the issue. The current session would be critical with a view to developing the migration agenda for the High-level Dialogue. In assessing the progress made, a comprehensive approach would require the participation of civil society, which had done much to help promote the rights of migrant workers.

76. **Ms. Silumbu** (Malawi) said that her country had enjoyed the benefits of globalization, but was now also suffering the knock-on effects of the recession in developed countries. Rising prices made it more difficult for the Government to provide fertilizer or import energy. Malawi's economic policies needed constant readjustment, and its ability to achieve the MDGs had been impaired.

77. The realization of development goals depended on a stable globalized world, which in turn would require the reform of crucial institutions. The United Nations must continue to promote institutional reform and cooperation and ensure the full inclusion of developing countries, particularly in the international trading system, so as to enable African countries to compete on an equal footing.

78. **Ms. Chen Yingzhu** (China) said that the High-level Dialogue should conduct an in-depth analysis of the nexus between migration and development, safeguarding the legitimate rights and interests of migrants and enabling them to play a positive role in socioeconomic development.

79. First, the impact of migration on development needed to be evaluated objectively. South-North migration had recently overtaken South-South migration. The resulting growth in remittance flows had boosted household incomes for migrant families, and also increased the foreign exchange reserves and investment capabilities of countries of origin. China encouraged the Group of Eight to implement the commitment made at the L'Aquila summit held in July 2009 to reduce the global average cost of transferring remittances from 10 per cent to 5 per cent in five years. At the same time, however, remittances could not be a substitute for ODA.

80. Second, the rights and fundamental freedoms of migrants must be protected. Migrants had made up for the labour shortage in destination countries, contributing to their wealth and development. States should recognize that contribution by encouraging an open and inclusive environment, promoting a fair portrayal of migrants and facilitating their social integration. They should combat racial discrimination and protect the most vulnerable groups, particularly women. Third, international cooperation should be strengthened. States had a common responsibility to promote safe and legal migration while addressing such causes as poverty, unemployment, armed conflict and environmental degradation. Developed countries should continue to provide funds and technology to assist developing countries in capacity-building. China supported such mechanisms as the Global Migration Group and the Global Forum on Migration and Development, which encouraged enhancing pragmatic policy coordination.

81. **Archbishop Chullikatt** (Observer for the Holy See) said that the global economic crisis had affected the poorest people in developed countries, as well as exposing systemic fragilities in the developing world. The international community had failed to monitor and regulate cross-border transactions, and it lacked a forum in which the voices of those most affected could be heard. The United Nations Conference on Sustainable Development had called for a broad alliance of people, Governments, civil society and the private sector. That would require a recognition of fundamental values and principles so as to ensure that the pursuit of development and interdependence was guided by respect for the fundamental priority and dignity of the human person.

82. Investment always had a moral as well as economic significance. The market governed commercial transactions, but could not function solely according to the principle of equivalence in value. A model market economy should be created in which all could participate and benefit without doing so at others' expense. That vision was endangered by the increasing inequality between and within States. Businesses were increasingly spread across several territories, with a more rapid staff turnover and a greater focus on short-term investments. Those developments had weakened companies' sense of responsibility towards their traditional stakeholders, including workers, suppliers of inputs, consumers and the natural environment. The laudable goal of establishing a new international economic order could be achieved only if every individual recognized their own responsibility to promote the common good.

83. **Mr. Baka Zolay** (Democratic Republic of the Congo) said that the international community had made a sustained effort over the previous two decades to address the growing extent, complexity and impact of international migration. Most recently, the informal thematic debate on international migration and development convened by the President of the General Assembly on 19 May 2011 had highlighted the fact that international migration could contribute to poverty reduction only if development partnerships were strengthened in order to protect migrants' rights.

84. His Government had established an agency for emigrants under the Ministry of Foreign Affairs with a view to helping with the modernization and reconstruction of the country. Emigrants from the Democratic Republic of the Congo could contribute to progress in a number of areas, including good governance and democracy; the transfer of funds to develop local businesses; cultural and personal exchange; the acquisition and transfer of new technologies; the improvement of conditions in towns, villages and schools; and success in competitive sports. However, his country condemned irregular migrants, who were particularly vulnerable to discrimination and abuse.

85. His delegation looked forward to the High-level Dialogue and urged the participants to take into account the contents of the report of the Secretary-General on trafficking in women and girls (A/67/170).

86. **Ms. Klein Solomon** (International Organization for Migration) said that most Governments had come to realize that safe, legal, voluntary and humanely managed migration contributed positively to development, including the realization of the MDGs. However, most strategic development frameworks still had not systematically integrated the issue. It was therefore important to help Governments in developing comprehensive and coherent policies, fair and functioning legal and administrative structures and well-trained personnel.

87. As the leading intergovernmental organization dedicated solely to migration, IOM supported Member States and the international community in promoting humane and orderly migration. In 2011, it had devoted over \$1.3 billion to initiatives aimed at strengthening capacities of migrants, Governments and the international community to respond to challenges and opportunities, particularly by facilitating international cooperation, dialogue and partnership. With over 450 field offices and 8,300 staff members worldwide, IOM delivered policy guidance, technical and operational support in an increasingly varied range of areas. In 2011, IOM had assisted over 12,000 labour migrants, 5,000 victims of human trafficking and 55,000 voluntary returnees. Responding to the crisis in the Middle East and North Africa region, it had brought hundreds of thousands of stranded migrants to safety.

88. On the basis of its experience, IOM believed that there was a need to improve awareness, understanding, ratification and implementation of relevant legal instruments; promote the mainstreaming of migration into the development framework; foster more effective labour migration and safer recruitment of foreign workers; and adopt a holistic approach to health outcomes for migrants and host communities. IOM looked forward to the High-level Dialogue as an opportunity to integrate migration into the post-2015 development agenda.

89. **Ms. Viale** (International Labour Organization) said that ILO promoted a rights-based approach to migration in accordance with its constitutional mandate. Migration policies were all too often dominated by interior or security policy concerns. ILO worked to enhance the capacity of labour ministries and employers' and workers' organizations to better address the linkages between migration, employment and labour markets, and to formulate appropriate policies.

90. The High-level Dialogue would provide an opportunity to stress the linkages between employment, labour protection and development policies, and to recognize the pivotal role of ILO in the governance of international labour migration. ILO had substantive contributions to make to the four themes proposed in the Secretary-General's report. In particular, Convention No. 189 of ILO on decent work for domestic workers, as well as its supplementing recommendation, should provide focus with a view to leveraging diaspora contributions for development. Other ILO conventions and tools, including the *ILO Multilateral Framework on Labour Migration*, could prove instrumental in the debate on promoting legal and orderly migration.

The meeting rose at 1.30 p.m.

United Nations

A/C.2/67/SR.12-E/2012/SR.51



General Assembly

Sixty-seventh session

Economic and Social Council

Official Records

Distr.: General

3 January 2013

Original: English

General Assembly
Second Committee
12th meeting

Economic and Social Council
51st meeting
Special Ministerial Meeting

Summary record of the joint meeting of the Second Committee and the Economic and Social Council on "The global economic outlook"

Held at Headquarters, New York, on Monday, 22 October 2012, at 10 a.m.

Co-Chair: Mr. Talbot (Chair, Second Committee) (Guyana)

Co-Chair: Mr. de Alba (Vice-President, Economic and Social Council) (Mexico)

Introductory remarks

Presentation on "Project LINK: Global economic outlook"

Presenter: Mr. Vos, Department of Economic and Social Affairs

Lead Discussants: Mr. Burns, World Bank

Mr. Mahmood, International Labour Organization

Interactive dialogue

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

12-55574 (E)



Please recycle



The meeting was called to order at 10.10 a.m.

Introductory remarks

1. **Mr. Talbot** (Co-Chair) said that, more than four years after the start of the global financial and economic crisis, the world economy remained precarious. According to recent analysis by the Department of Economic and Social Affairs, the global economy was expected to grow over the following two years at a pace that was far below its full potential. Many of the structural weaknesses that had given rise to the crisis remained unresolved and there was a significant risk that the global economy would continue to worsen.

2. In many developed countries, banks, firms and households continued to strive to reduce their debts, resulting in reduced access to credit, a fall in investment, and weak consumer demand. Unemployment remained disturbingly high. Furthermore, fiscal austerity measures adopted to reduce public debts had often backfired, causing public debt levels to rise.

3. Economic weaknesses in the developed world had, moreover, affected developing countries: demand for their exports had fallen and they were suffering from the impact of reduced capital flows and increasingly volatile commodity prices. In some cases, domestic structural weaknesses were exacerbating the strains on those countries' economies and had further depressed domestic investment.

4. **Mr. de Alba** (Co-Chair) invited **Mr. Robert Vos**, Director, Development Policy Analysis Division, Department of Economic and Social Affairs, to deliver his presentation entitled "Project LINK: Global economic outlook".

Presentation on "Project LINK: Global economic outlook"

5. **Mr. Vos** (Department of Economic and Social Affairs) said that Project LINK was a large cooperative non-governmental research consortium that brought together experts from more than 60 countries with a view to sharing knowledge on global economics.

6. Four years after the outbreak of the global financial and economic crisis, the world economic outlook remained extremely worrying. Major developed countries, particularly in Europe, were

caught in a vicious circle in which high sovereign default risks, banking fragility, fiscal tightening, slower growth and rising unemployment had combined to thwart economic recovery. Sharp economic slowdowns had compounded financial fragility, which, in turn, had exacerbated vulnerabilities stemming from excessive financial risk taking and weak regulatory and supervisory mechanisms. Faced with economic uncertainty, overleveraged banks and households had taken action to reduce their debts and risk exposure, which, in turn, had reduced credit flows and further impeded growth.

7. Developing countries were under increasing economic pressure as a result of weaker demand for their exports, increasingly volatile exchange rates, commodity prices and capital flows, and domestic structural weaknesses. In particular, low-income countries, which had shown considerable resilience during the early years of the crisis, were suffering the impact of slowdowns in developed and some middle-income countries. Many low-income countries had also seen their external balances of payments further deteriorate owing to a combination of lower non-food and higher food prices in world markets.

8. Confidence in the global financial system remained weak. Although monetary expansion in the developed world had initially fostered increased investment in emerging economies, capital flows to emerging markets had dried up as lenders sought to reduce their exposure to risk. Unless confidence in developed countries' financial markets was restored, capital inflows to emerging economies were likely to remain subdued and volatile.

9. Unemployment rates in developed countries, especially in Europe, continued to rise and in Spain and Greece had reached 25 per cent. Moreover, it was likely that official statistics underestimated the scale of that phenomenon, as many unemployed people were no longer registering as job seekers. Approximately 40 per cent of job seekers were classified as long-term unemployed: a far higher figure than in any other recession since the Second World War. Furthermore, it was of grave concern that a high proportion of the jobs being created were very insecure, particularly for young people.

10. Global growth was predicted to reach only 2.3 per cent in 2012, 2.5 per cent in 2013 and 3 per cent in 2014. As a result, developing countries were

expected to achieve much slower poverty reduction over the next few years than they had over the previous decade, and would have far less money available to invest in education, health, basic sanitation and other key areas with a view to achieving their development goals. Large emerging economies had also been affected: economic growth in Brazil had fallen from 7.5 per cent in 2010 to 1.7 per cent in 2012, while in China and India, growth had decreased from 10.4 and 8.9 per cent to 7.7 and 5.5 per cent, respectively, over that same period. Sharp economic slowdowns in those countries were leading to reduced demand for commodities which, in turn, was depressing growth in many low-income countries, many of which, particularly in sub-Saharan Africa and the Sahel, also faced increasing food insecurity as a result of high global food prices and persistent food price volatility. Moreover, even if emerging market economies contracted gradually before stabilizing, it was estimated that China's growth rate would only reach about 8 per cent in 2013-2014. It could fall to 5 per cent or even lower, however, particularly if the growth in fixed investments kept declining and policymakers remained reluctant to engage in further fiscal stimulus as part of their restructuring and rebalancing efforts. That would have a major negative impact on the global economy.

11. Although weaker global demand was exerting strong downward pressure on oil prices, heightened geopolitical risks, particularly in the Middle East, were pushing them up. Oil markets remained tight, with only 2.8 million barrels per day of spare capacity, approximately half of normal spare-capacity levels. Oil prices were expected to remain elevated, with average prices of between US\$ 105 and US\$ 110 a barrel, and highly volatile over the next two years, further impeding economic recovery.

12. Recent remedial actions by policymakers in developed countries had met with some success: in particular, the European Central Bank had reduced borrowing costs for a number of euro zone countries and was attempting to recapitalize banks without increasing sovereign debts with a view to enabling indebted countries to sever the link between their sovereign debts and the fragility of their financial sectors. Yet doubts remained as to the long-term sustainability of those actions, and there was a considerable risk that the situation would further deteriorate if economic confidence continued to erode.

In that connection, stakeholders were concerned that the continuing political impasse that was hampering the adoption of a federal budget in the United States of America, coupled with the ongoing euro zone crisis, could result in further downward adjustments; it was still possible that one or more countries would be forced to leave the euro zone and, if the United States Congress did not soon adopt a federal budget, drastic spending cuts, amounting to 4 per cent of gross domestic product (GDP), would come into effect over the following two years. That would result in a massive contraction in global demand. Furthermore, the stimulus effects of monetary expansion and attempts to enact economic structural reforms were being offset by austerity measures, including tax increases and benefit cuts, that impeded economic recovery. The pace of much-needed regulatory reform remained slow and there were strong disagreements among policymakers as to the direction it should take. There were also doubts as to the capacity of certain countries to enact reforms, particularly as attempts to do so were exacerbating social tensions and adding to economic uncertainty.

13. Although trade deficits and surpluses had narrowed in recent years, largely as a result of slower growth, global imbalances of assets and liabilities were increasing, and, coupled with certain policy decisions, were exacerbating exchange rate volatility. In 2010 and 2011 the currencies of developing countries had appreciated, following expansionist monetary policies in developed countries. However, with the reduction of capital flows as a result of bank deleveraging, those currencies had subsequently depreciated sharply against the dollar. Continuing uncertainty in financial markets made it likely that they would remain highly volatile, making it difficult for developing countries to achieve sustained economic recovery.

14. Much slower economic growth could lead to a double-dip recession with developed countries experiencing negative growth and certain developing countries experiencing growth rates of barely 2 per cent, which, on a per capita basis, would result in zero or even negative growth rates.

15. To break out of the vicious circle, policymakers must avoid focusing on only certain aspects of the crisis, and must address all facets of the economic slowdown. In particular, they should focus less on enacting harsh austerity measures that could prove self-defeating. Fiscal policies and structural reform must be

redesigned to place greater emphasis on promoting employment and avoid undermining economic stability still further. In that regard, there were opportunities to invest in infrastructure and technologies to boost sustainable development, including in the fields of renewable energy and energy efficiency, particularly since many countries enjoyed a range of fiscal policy options as they could borrow money cheaply in world financial markets.

16. Stakeholders must also ensure that there was greater synergy between fiscal policy and monetary stimulus measures, and that monetary stimulus in developed countries did not cause serious negative repercussions on capital flows and exchange-rate volatility in developing countries. That would require greater international coordination with regard to the timing of monetary expansion, and coordinated efforts to avoid systemic risk and excessive risk taking. Stakeholders also needed to consider taking action vis-à-vis major financial markets to reduce capital flow volatility, rather than only relying on capital controls in developing countries.

17. Official development assistance (ODA) had fallen in 2011 and was likely to remain low. To help reduce economic uncertainty and spur growth in developing countries, developed countries must honour their ODA commitments. New ways to finance international development assistance should also be considered, including through international taxation mechanisms, with a view to delinking that assistance from the business cycle and providing developing countries with more predictable aid flows.

18. **Mr. Pauly** (LINK Project Manager, University of Toronto) said that the world faced an unprecedented situation characterized by multiple problems which had accumulated over the past four years, including a significant output gap caused primarily by the deleveraging of the private sector; a long-term downward shift of global potential output; the ongoing fragility of financial markets; and falling growth rates in the emerging markets as the result of spillover from the developed world.

19. Recovering from a financial crisis was not like recovering from a typical business cycle downturn: financial crises were slower, lasted longer and were more volatile. Global growth was well below potential, and would persist at that level a number of years to come: evidence was mounting that little could be done

to remedy the situation in the short term. While there were some hopeful signs for the longer term, the immediate future was overshadowed by a deleveraging process which had not yet run its course, a set of monetary policies which were constrained at the lower bound, debt constraints in many countries which precluded the possibility of fiscal expansion, and austerity policies which had proved ineffective in boosting confidence or were too costly politically.

20. The world would remain in a fundamentally slow-growth period until private-sector leveraging had been completed and financial stability had been restored in Europe. Beyond short-term fixes, what was required was a significant move toward deeper integration of at least a subset of European countries, which would take time.

21. While there would no doubt be some resolution in the United States within a year, there was no indication that such a development would add significantly to short-term global growth. The inescapable conclusion, though hard to accept, was that the world faced low growth of 2 to 2.5 per cent for the foreseeable future.

22. **Mr. Burns** (World Bank) said that the economic crisis which had shaken the world in 2008 had profoundly undermined confidence in the way the global economy was managed. However, while he essentially agreed with the lacklustre outlook assessment presented by Mr. Vos, he wished to express a more nuanced view regarding the concept of potential output and how the crisis was affecting developing countries.

23. A number of developments in the past few months justified a more optimistic prognosis. Despite the fact that the turmoil experienced by the global economy in May and June 2012 was similar to the downturns of July 2011 and January 2012, both of which had been followed by a relative easing of tensions and a subsequent relapse, the most recent upswing differed in the extent to which those tensions had receded.

24. Most significantly, credit default swap rates, which represented the cost of insuring against the sovereign debt burdens of individual countries, had fallen dramatically since July 2012 both in high-income economies and in the developing world. For developing countries, those rates were now lower than they had been in January 2010, while in the euro zone

countries they were only 110 basis points higher than they had been before tensions began to emerge.

25. That development could reasonably be ascribed to the cumulative effects of the reforms introduced at the country level and in the euro zone as a whole, as well as to the change in stance by the European Central Bank. As it was precisely the lack of confidence engendered by the European sovereign debt crisis that had unleashed a downward spiral to begin with, the latest situation could well foreshadow positive developments. For the time being that possibility remained a hypothetical one, predicated on continued efforts to raise confidence and on the successful negotiation of the looming fiscal cliff in the United States. However, if momentum could be maintained, a genuine recovery might be in prospect.

26. More important from the World Bank's perspective was the impact on developing and emerging economies. In that regard he wished to emphasize the difference between the sustainable long-term economic activity a given country was capable of and the degree to which it had fallen short of that potential.

27. In high-income countries, there had been a clear drop-off in economic activity, resulting in mass unemployment and a production slump. In contrast, developing countries had weathered the worst of the global economic crisis without significant ill effect, having recovered their pre-crisis per-capita income levels within a year and a half.

28. It was notable that 60 per cent of developing economies were within 1 per cent of their potential output, which suggested that existing policy recommendations focusing on demand stimulus were inappropriate. Rather, the real issue for developing countries was how to ensure that the strong growth they had enjoyed between 1995 and 2000 continued; the insistent focus on incremental shifts in the economies of the United States and of European countries had distracted attention from the real issue of long-term structural reforms as the essential precondition for the growth of developing countries.

29. The risk of a severe downturn in developing countries was real, and called for making a greater commitment to long-term structural adjustments while at the same time preparing for a worst-case scenario which could see output in developing countries fall by as much as 4 per cent of GDP, a level last reached in

2008. Therefore, spending priorities should be re-evaluated with a view to preparing for a potential resurgence of the economic crisis, and the international community should take advantage of the current respite in order to rebuild fiscal and monetary buffers as a way to confront any conceivable negative outcome.

30. Part of the reason so many developing countries had successfully weathered the economic and financial crises in 2008 had been their advantageous fiscal situations. In 2007, 40 per cent of developing countries had been operating with a fiscal surplus, while 20 per cent had shown a deficit of 3 per cent of GDP or more. Today those figures were reversed, and much of the developing world would not be in a position to respond as well as it had in 2008.

31. Lastly, the current situation with respect to the food market was not as dire as it had been in 2008. However, certain indicators relative to maize and wheat stocks were cause for concern, as a poor harvest could have a heavy impact on prices and availability.

32. **Mr. Mahmood** (International Labour Organization (ILO)) said that while he agreed with the general assessment that there had been a modest upswing in global economic growth, employment rates had never fully recovered to their pre-crisis levels in either developed or developing economies. Nevertheless, much of the economic turmoil had been centred in the developed economies, in particular in the euro zone, and the structural reforms undertaken in Europe in response had therefore been especially counterproductive, as all of the costs of macroadjustments to the financial and capital markets had been shifted onto the employment market. As a result, the economies of European countries were caught in a negative feedback loop characterized by rising unemployment and weakening demand.

33. It was estimated that an additional 2.5 million jobs would be lost in 2013, largely in the advanced economies of the euro zone, with commensurate downside risks in Asia and sub-Saharan Africa. An estimated 200 million people were unemployed in 2012 worldwide, indicating that 27 million jobs had been lost since the onset of the crisis in 2007. Taking into account the additional job losses caused by shrinking GDPs, some 30 million jobs would have to be created in order to achieve acceptable employment levels and a true recovery from the global economic crisis.

34. Currently, a number of negative feedback loops were actively undermining the recovery of the global economy: households were deleveraging and failing to spend as they sought to recover from lost assets and wages; firms were not spending and were instead hoarding capital; banks were not lending while sitting on large portfolios; and the private sector was not spending, leading to the accumulation of unsustainable public debt and the resulting encouragement of destructive austerity policies.

35. The greatest impact of the lagging household expenditures had been on exports, while the current recovery had resulted in only a 2 per cent increase in consumption. Gross fixed capital formation had yet to recover, while bank lending to insurance corporations, other financial intermediaries and non-finance corporations had dried up. Prior to the crisis the private sector had regularly registered deficits, while the public sector had run surpluses. In the wake of the public bailouts of private sector banks to address the near collapse of financial institutions, it was the public sector which was now running deficits.

36. It was thus clear that austerity policies should address a longer term, and should be more nuanced and sequential. That it had taken the world 20 years to recover from the deficits which followed the Second World War underscored the need for long-term policy prescriptions. Lastly, the issue of policy sequencing was an important consideration, as currently only monetary policy was driving growth while fiscal policy lagged behind.

37. The crisis had demonstrated that transfers rather than cuts were now the typical response, notably in Europe, where it had been recognized that lower wages would be inimical to economic recovery. That lesson should now be carried forward as the world sought to recoup its losses.

38. **Mr. de Alba** (Co-Chair) said that two fundamental lessons had emerged from the discussions thus far, the need for medium- and long-term solutions to the global economic crisis, and the need for better coordination and support by multilateral bodies for national and regional recovery efforts. An unprecedented effort was therefore needed to review and reform the way in which multilateral institutions worked and cooperated.

Interactive dialogue

39. **Ms. Akhtar** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs) said that it was not clear to what extent the world was caught in a spiral of uncertainty, given the protracted nature of the global economic crisis and the context of fiscal austerity, including the limited remedial capacity of monetary policies. In addition, she wondered what impact the crisis was having on developing countries, given the fears of excessive liquidity and macroeconomic complications expressed in emerging markets, which were seen as relatively safe havens with higher yields for capital flows during the crisis.

40. **Mr. Mero** (United Republic of Tanzania) said he wondered how effectively countries were addressing the global economic crisis, and whether there was any hope for a near-term recovery given the general pessimism expressed by the panellists. He likewise wished to know whether the Doha Round of trade negotiations had any hope of success, so that African countries like his own could begin trading on more equal terms.

41. **Mr. Busuttil** (European Union) said that the current emphasis in Europe was on growth and jobs, and that a recently agreed investment package worth 120 billion euros would soon provide a much needed stimulus on those two fronts. While European citizens were being asked to make major sacrifices, they were also being offered a realistic prospect for growth, as well as the assurance that the most vulnerable among them would not suffer unduly. Likewise, it had been agreed that the financial sector would contribute to the economic recovery.

42. While it was generally accepted that no single formula existed for job growth, and that the private sector was the principal job creator, there was considerable room for contributions by the public sector. In that context, he would like to hear more about the recommendations which had been made to address the issue of employment, in particular with respect to redesigning structural policies and the potential for green growth.

43. **Mr. Souissi** (Morocco) asked how the two high-level panels on sustainable energy and on the post-2015 development agenda could contribute to resolving the economic crisis, and whether the critical macroeconomic situation would influence the priorities

of policymakers, which often concentrated on political issues to the exclusion of economic matters.

44. **Ms. Kage** (Germany) said that it would be useful to know what impact the prevailing risks would have on the attainment of the MDGs, and what the prospects were for different groups of developing countries, taking into account the variations between them rather than addressing them as a bloc.

45. **Mr. Vos** (Department of Economic and Social Affairs) said that breaking free of the cycle of uncertainty which the global economy found itself in was perhaps the central problem for policymakers around the world. Attempts to solve it had often resulted in greater uncertainty, as in Europe, where austerity measures undertaken to reduce public debt had deepened the crisis. Policy coherence was needed, rather than piecemeal approaches such as bold monetary measures, buying up bonds or trying to recapitalize the banks. Unless the real economy could be jump-started, uncertainty was unlikely to diminish.

46. With respect to whether or not there had been spillover into developing countries, while there had been increased volatility there was no direct one-to-one relationship involved which could be tied to quantitative easing. In some cases, such easing had led to new spurts as a result of excess liquidity and increased capital flows to developing countries, while at other times greater uncertainty and accelerating deleveraging by banks and firms had encouraged the opposite effect.

47. With respect to whether or not countries would be able to arrive at a common solution to the crisis, the nature of the problem was generally recognized, but solutions were being developed primarily at the national level and without a broader effort to coordinate responses. There should be a greater degree of caution when implementing austerity measures, while structural policies should be aligned with monetary and fiscal policies in a more focused way that addressed the problems of aggregate demand and job creation.

48. In considering the absence of a single approach to job creation, how policies were tailored with macroeconomic policies was important, and in the short term it was vital to avoid weakening the automatic stabilizers. For developing countries, meanwhile, there was a great deal of room to further

restructure their economies, which would have benefits in the medium- and longer-term.

49. With respect to ways in which developing and developed countries could work more effectively together, there had been discussions in such forums as the G20 and the Stieglitz Commission of how developing countries with strong reserve positions could help strengthen financial safety nets at the global level. While the initial responses from developed countries had been dismissive, the absence of effective global financial safety nets and the continuing volatility on world markets had induced developing countries to further bolster their reserve positions. It had the negative effect of slowing the global economy further, but it was a net positive in terms of providing developing countries with policy buffers. It was therefore an area in which developed and developing countries could work together in the future to rethink the nature of the global financial safety net.

50. As to the attainment of the MDGs in the face of the global economic crisis, it was self-evident that weak growth would necessarily translate into greater challenges in meeting those goals as the result of lower Government revenues and the spike in food prices in developing countries.

51. **Mr. Mahmood** (International Labour Organization) said that an average GDP growth rate of 5.2 per cent was required in order to address the world's employment gap of 27 to 30 million jobs. It was therefore alarming that, even before the current crisis, the world economy had only achieved average growth of 3.2 per cent. Furthermore, new jobs created were increasingly insecure and young people and women who lost their jobs found it particularly difficult to find employment when job markets recovered. Official statistics underestimated true unemployment rates, as they did not take into account the sharp increase in the number of people who had given up their search for work. Policymakers needed to address those challenges as a matter of priority.

52. **Ms. Dobson** (Project LINK, University of Toronto) said that the European Union seemed to take action to avert further economic distress only at the last possible moment. Furthermore, continued ideological gridlock in the United States Congress would probably make it very difficult for the United States to take timely action to avert the so-called "fiscal cliff": it was likely that no agreement on spending and taxation

would be reached until the last possible moment. She asked whether policymakers had fully taken into consideration the potential negative market reactions to that continued uncertainty, and whether it was only when they faced an impending crisis that they would find the resolve to take difficult budgetary decisions.

53. Raising overall employment rates was unlikely to fully address the growing problem of youth unemployment. Noting that Germany had implemented innovative programmes to promote youth employment, she asked if other countries were taking similar steps to help young people to enter the labour market and gain at least limited work experience.

54. **Mr. Dordunoo** (Project LINK, ClayDord Consult) said that the financial and economic crisis in the developed world might well have had a disproportionate effect on developing world economies because their financial transactions were often denominated in volatile hard currencies. Although the economies of developing countries continued to grow, those countries still relied, first and foremost, on the export of their raw materials to more developed countries; he asked whether further capital investments could help developing countries diversify their economies with a view to raising GDP and promoting development. He also asked whether the economies of exporting countries, particularly in Europe, had been negatively effected by the imposition of fixed exchange rates and whether those exchange rates were not, to a large extent, responsible for rising unemployment.

55. **Mr. Vos** (Department of Economic and Social Affairs) said that, although it was possible that the impending budgetary crisis in the United States would not be resolved, it was more likely that a compromise agreement would be reached and the so-called "fiscal cliff" would be avoided. It was also hoped that ways would be found to ensure that no country would be forced out of the euro zone.

56. He agreed that macroeconomic policies alone were insufficient to effectively combat youth unemployment; labour market, educational and structural policies must also be implemented so that young people found employment and learned skills that could be applied in a rapidly changing working environment. Countries could, for example, provide financial subsidies to firms to encourage them to hire young workers.

57. Developing countries' economies were growing faster than those of developed countries, in part as a result of the domestic structural reforms that they had implemented over the previous decade. However, the business cycles of developing and developed countries remained closely linked. Many developing countries' economies were primarily based on raw commodity exports, the prices of which were highly volatile. In order to ensure that they could rely on more predictable income flows, those countries must diversify their economies and shift their economic emphasis to higher-value sectors, including service industries, with a view to sustaining long-term growth. Encouraging industrialization was not, however, the only answer: low-income countries could, for example, achieve significant economic progress by restructuring their agricultural sectors and increasing agricultural production.

58. Although there were disadvantages associated with fixed exchange rates, countries with flexible exchange rates could suffer from excessive currency volatility. States must strike a balance between currency stability and flexibility. To promote exports and spur inclusive development, stable currency exchange rates were, perhaps, even more important than concluding the Doha Round.

59. **Mr. Mahmood** (International Labour Organization) said that the economic and financial crisis had disproportionately affected young people; in Spain and Greece, for example, they constituted almost 50 per cent of job seekers. Member States must take urgent action to combat youth unemployment, and ILO stood ready to assist both advanced economies and developing countries in designing policies to foster job creation for young people.

60. **Mr. Burns** (World Bank) said that fostering economic confidence was critical for developed and developing countries alike. It was possible that the failure of fiscal austerity measures in Europe to re-establish confidence in European economies was due to the fact that those measures had been insufficiently bold and implemented too late. Volatility in financial markets, in part, reflected that lack of confidence, and recent improvements in those markets had not yet strengthened confidence in the real economy: it was therefore critical to maintain policy momentum in Europe in order to further boost economic confidence. In the United States, urgent measures must be taken to avert the "fiscal cliff" so

that confidence in economic recovery was not seriously undermined. It was highly probable that, as the deadline for an agreement drew closer, increasing uncertainty would exert growing negative pressure on the United States financial and real-world economies.

61. Firms and households in developing countries were suffering the negative effects of economic uncertainty in the euro zone and were scaling back investment and expenditure. Lenders were, in fact, increasingly saying that they had cut lending since, because of increased uncertainty, far fewer individuals and businesses were requesting loans.

62. Developing countries' economies had, to a large extent, proven their resilience during the crisis, and those of sub-Saharan Africa, excluding South Africa, had been growing at 6 per cent a year. If those growth rates were sustained, they would sharply reduce poverty rates.

63. Policymakers had been too focused on cyclical economic factors: more emphasis needed to be placed on longer-term trends and on sustaining high growth rates in developing countries. In particular, emphasis needed to be placed on adopting long-term policies to sustain productivity, as high growth rates in the developing world could mitigate many of the knock-on effects of economic crises in advanced economies: if a developing country's economic growth fell from 6 to 4 per cent, that would still be sufficient to reduce poverty, albeit at a slower pace.

The meeting rose at 12.40 p.m.